

Message Text

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ACTION EB-08

INFO OCT-01 EUR-12 ISO-00 AID-05 CIAE-00 FRB-03 INR-07
NSAE-00 USIA-06 TRSE-00 XMB-02 OPIC-03 SP-02
LAB-04 SIL-01 OMB-01 SOE-02 DOE-11 NSC-05 SS-15
STR-06 CEA-01 /095 W
-----115222 110914Z /10

R 110840Z JAN 78
FM AMEMBASSY BERLIN
TO SECSTATE WASHDC 6453
INFO USDOC WASHDC
AMEMBASSY WARSAW
AMEMBASSY BELGRADE
AMEMBASSY BONN
AMEMBASSY BUCHAREST
AMEMBASSY BUDAPEST
AMEMBASSY MOSCOW
AMEMBASSY PRAGUE
AMEMBASSY SOFIA
USMISSION USBERLIN

C O N F I D E N T I A L SECTION 01 OF 02 BERLIN 00207

USDOC FOR BEWT

E.O. 11652: GDS
TAGS: EEWT, ECEM, GE
SUBJECT: DOW CHEMICAL ACTIVITIES IN GDR - COAL
GASIFICATION TECHNOLOGY

SUMMARY: DEPARTING DOW CHEMICAL COMPANY REPRESENTATIVE
BRIEFED AMBASSADOR JANUARY 9 ON NEGOTIATIONS WITH GDR
FOR COAL GASIFICATION TECHNOLOGY. DOW BELIEVES U.S.
MARKET FOR TECHNOLOGY COULD BE AS LARGE AS \$15 BILLION.
DOW REPRESENTATIVE COUNTED AMONG ACHIEVEMENTS OF OFFICE
WHICH HE OPENED NEGOTIATION OF A 12 YEAR, \$400 MILLION
CONTRACT, AND OPENING OF LINES OF COMMUNICATION WITH
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GDR. END SUMMARY.

1. DOW CHEMICAL COMPANY REPRESENTATIVE ROBERT P.
MARSHALL PAID A FAREWELL CALL ON THE AMBASSADOR
JANUARY 9. MARSHALL IS LEAVING BERLIN SHORTLY FOR
A NEW ASSIGNMENT AT DOW CORPORATE HEADQUARTERS IN
MIDLAND, MICHIGAN.

2. ASKED ABOUT DEVELOPMENTS IN DOW'S NEGOTIATIONS WITH THE GDR ON COAL GASIFICATION, MARSHALL SAID AN AGREEMENT WAS JUST SIGNED UNDER WHICH THE GDR WILL CARRY OUT A STUDY OF THE FEASIBILITY OF GASIFICATION OF LIGNITE COAL FROM RESERVES OWNED BY DOW IN TEXAS. COST OF THE STUDY WILL BE SEVERAL HUNDRED THOUSAND DOLLARS. MARSHALL SPOKE IN ENTHUSIASTIC TERMS ABOUT GDR COAL GASIFICATION TECHNOLOGY WHICH HE SAID APPEARS TO BE SUPERIOR TO TECHNOLOGY AVAILABLE ELSEWHERE. DOW IS ALSO INTERESTED IN GDR BUCKET WHEEL MINING TECHNOLOGY. THE LATTER TECHNOLOGY, WHICH PROVIDES FOR CONTINUOUS REPLACEMENT OF OVERBURDEN, IS SUPERIOR FROM THE STAND-POINT OF ENVIRONMENTAL IMPACT TO THE DRAG LINE TECHNIQUE CURRENTLY EMPLOYED IN THE UNITED STATES.

3. MARSHALL SAID FOR THE PRESENT DOW IS MAINLY INTERESTED IN POWER PRODUCTION FROM GASIFIED COAL. THE GDR, HOWEVER, PRODUCES MASSIVE QUANTITIES OF CHEMICAL FEEDSTOCKS FROM LIGNITE COAL. THE GDR PRODUCES 80,000 TONS OF PHENOL FAMILY FEEDSTOCKS FROM LIGNITE COAL ANNUALLY, AND IN TIME DOW MIGHT ALSO BECOME INTERESTED IN LIGNITE AS A CHEMICAL INDUSTRY RAW MATERIAL. HE DESCRIBED DOW EXPERTS AS BEING VERY IMPRESSED ON A RECENT VISIT TO THE SCHWARZE PUMPE GASIFICATION WORKS.
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4. ACCORDING TO MARSHALL THE TOTAL COST OF CONVERTING THE AMERICAN POWER INDUSTRY TO A GASIFIED COAL BASE MIGHT GO AS HIGH AS \$15 BILLION OF WHICH DOW MIGHT REALIZE A SUBSTANTIAL SHARE IF GDR TECHNOLOGY PROVES AS COMMERCIALLY FEASIBLE AS IT APPEARS. IN HIS VIEW COAL GASIFICATION TECHNOLOGY APPEARS TO BE THE GDR'S SINGLE MOST IMPORTANT POTENTIAL ASSET IN US-GDR TRADE. MARSHALL SAID HE HAD JUST PROPOSED TO THE GDR THAT DOW BECOME SOLE AGENT FOR THE GDR FOR COAL GASIFICATION AND MINING TECHNOLOGY IN THE UNITED STATES.

5. ASKED TO COMMENT ON OTHER ACHIEVEMENTS DURING HIS 21 MONTHS IN EAST BERLIN, MARSHALL REFERRED TO IMPENDING SIGNATURE OF A 12-YEAR CONTRACT FOR SALE OF 35,000 TONS OF PROPYLENE OXIDE AND PURCHASE OF 50,000 TONS OF PROPYLENE ANNUALLY. TOTAL VALUE OF THE DEAL IS \$400-\$600 MILLION.

6. BEYOND SPECIFIC BUSINESS, MARSHALL SAID HIS OFFICE HAD SUCCEEDED IN OPENING LINES OF COMMUNICATION TO THE GDR. HE CONSIDERED THIS ONE OF HIS MOST IMPORTANT

ACHIEVEMENTS. AN ATMOSPHERE HAD DEVELOPED IN WHICH THE GDR WAS FAR MORE READY THAN IN THE PAST TO TURN TO DOW WITH CONCRETE BUSINESS PROPOSALS, ESPECIALLY SINCE DOW PRESIDENT MERSZEI'S MEETINGS WITH MINISTER OF CHEMICALS WYSCHOFSKY AT LEIPZIG LAST FALL. MARSHALL PUT 1977 SALES IN THE GDR AT \$24 MILLION. DOW COUNTER-TRADE PURCHASES AMOUNTED TO \$11 MILLION. EXPECTED SALES IN 1978 WILL BE AT LEAST \$26.5 MILLION.

7. MARSHALL ALSO INFORMED THE AMBASSADOR THAT OVERALL US-GDR RELATIONSHIP HAS SIGNIFICANT IMPACT ON BUSINESS RELATIONS WITH THE GDR. HE SAID THE ABSENCE OF MFN FOR GDR EXPORTS PRESENTED A SIGNIFICANT

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IMPEDIMENT TO BUSINESS DEVELOPMENT AND NECESSITATED UTILIZATION OF GDR PRODUCTS WITHIN THE DOW NETWORK OUTSIDE THE UNITED STATES. HE ASKED THE AMBASSADOR FOR HIS VIEWS ON THE GDR'S PROSPECTS FOR MFN. THE AMBASSADOR REVIEWED CURRENT ISSUES IN THE BILATERAL RELATIONSHIP INCLUDING CONSULAR CONVENTION, PROPERTY AND FINANCIAL CLAIMS, JEWISH CLAIMS, HUMAN RIGHTS AND

BASIC U.S. INTERESTS IN A STABLE SITUATION IN CENTRAL
EUROPE. THE AMBASSADOR FELT ALL OF THESE ISSUES
IMPACT ON PERCEPTIONS IN THE U.S. OF THE GDR AND
FELT THAT PROGRESS ON THEM WOULD HAVE A BEARING ON
THE GDR'S CASE WITH THE CONGRESS AND THE AMERICAN
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